



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

For Immediate Release

Friday, May 16, 2003

## Grassley Advances Major Tax Simplification Measure

WASHINGTON – The tax relief bill the Senate passed last night, authored by Sen. Chuck Grassley, chairman of the Committee on Finance, includes a major tax simplification measure to make filing easier for just about anyone with a child and to increase child-related benefits for hundreds of thousands more taxpayers.

“Having a child makes for complex tax filing,” Grassley said. “It sounds as if it would be simple, yet it’s anything but. You have to consider all kinds of factors, like the child’s age and his or her relationship to the taxpayer. You have to climb a mountain of paperwork and even then, you might not reach the summit of eligibility. With this change, filing taxes will be a lot easier for a lot of people.”

Grassley agreed to include legislation to simplify the paperwork for child-related benefits in the economic growth package he authored, which received full Senate approval last night.

Under current law, five commonly used provisions provide benefits to taxpayers with children: (1) the dependency exemption; (2) the child credit; (3) the earned income credit; (4) the dependent care credit; and (5) head of household filing status. Each provision has separate criteria for determining whether the taxpayer qualifies for the applicable tax benefit with respect to a particular child. The separate criteria include factors such as the relationship (if any) the child must bear to the taxpayer, the age of the child, and whether the child must live with the taxpayer. Thus, a taxpayer is required to apply different definitions to the same individual when determining eligibility for these provisions, and an individual who qualifies for one provision does not automatically qualify for another provision.

These different eligibility tests are a source of complexity for a significant number of taxpayers and for the Internal Revenue Service, Grassley said. Also, they are a source of errors for taxpayers. For more than a decade, tax experts such as those at the Joint Committee on Taxation have recommended a uniform definition of a child as a major tax simplification measure.

Under the proposal Grassley advanced, the tax code would have a uniform definition of a qualifying child for the dependency exemption, the child credit, the earned income credit, the dependent care credit, and head of household filing status. Under the uniform definition, in general,

a child is a qualifying child of a taxpayer if the child satisfies each of three tests: (1) the child has the same principal place of abode as the taxpayer for more than one half the taxable year; (2) the child has a specified relationship to the taxpayer; and (3) the child has not yet attained a specified age.

Grassley said that in addition to the simplification benefits, the change would make many more taxpayers eligible for a child-related benefit. As a result, the proposal would cost \$1.8 billion over 10 years.

“There’s a lot more work to do on making taxes easier,” Grassley said. “But I’m glad to start with part of the tax code that causes headaches for many Americans every year. And making more families eligible for child-related benefits is important. Those benefits help families prosper, and people should have access to them.”